



WASHINGTON STATE LEGISLATURE

# Joint Committee on Pension Policy

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**June 19, 2002**

10 AM - 1 PM

Senate Hearing Room 4  
Olympia

## REVISED AGENDA

- 10:00 AM **(1) Personnel Committee Report** – Senator Karen Fraser
- 10:30 AM **(2) Governance** – Robert Baker, Sr., Research Analyst
- 11:30 AM **(3) Public Safety Benefits** – David Pringle, Research Analyst
- 1:00 PM **(4) Adjourn**

Persons with disabilities needing auxiliary aids or services for purposes of attending or participating in Joint Committee on Pension Policy meetings should call (360) 753-9695. TDD 1-800-635-9993

Senators: Don Carlson, Chair; Karen Fraser; Harold Hochstatter; Ken Jacobsen; Debbie Regala; Linda Evans Parlette; Harriet Spanel; Shirley Winsley  
Representatives: Steve Conway, Vice Chair; Gary Alexander; Glenn Anderson; Mike Cooper; Jerome Delvin; Bill Fromhold; Cheryl Pflug; Geoff Simpson

# JOINT COMMITTEE ON PENSION POLICY

## Proposed Meeting Schedule

(May 15, 2002)

### **April 17, 2002**

10 AM - 12:30 PM, House Hearing Room A

Election of Officers  
Meeting Schedule; Interim Issues  
Session Update  
Funding Projections

### **September 18, 2002**

1 - 4 PM, Senate Hearing Room 4

### **May 13, 2002**

10 AM - 1 PM, Senate Hearing Room 4

Plan 1 Retiree COLAs  
Governance  
Actuarial Presentation

### **October 16, 2002**

10 AM - 1 PM, Senate Hearing Room 4

Post-retirement Employment Status Report

### **June 19, 2002**

10 AM - 1 PM, Senate Hearing Room 4

Governance  
Public Safety Benefits

### **November 13, 2002**

10 AM - 1 PM, Senate Hearing Room 4

Legislation

### **July 10, 2002**

10 AM - 1 PM, Senate Hearing Room 4

Initiative Report  
Membership and Service Credit  
EMTs into LEOFF

### **December 4, 2002**

12:30 - 3:30 PM, Senate Hearing Room 4

Legislation

### **August 14, 2002**

10 AM - 1 PM, Senate Hearing Room 4

Disability



# **Governance**

**Robert Wm. Baker**  
Sr. Research Analyst

Joint Committee on Pension Policy  
June 19, 2002

# Functions of Governance

- Administer plans (DRS)
- Invest funds (SIB)
- Set actuarial assumptions (PFC)
- Provide for actuarial valuations (OSA)
- Perform actuarial audits (PFC)
- Set contribution rates (PFC)
- Prepare fiscal notes (OSA)
- Study pension issues & propose legislation (JCPP)

**1999 Budget Proposal** (vetoed)

# **State Pension Advisory Committee**

- Active and retired members
- Local government
- Directors of DRS and OFM

**1999 – HB 1771 / SB 5994 (not passed)**

# **Pension Oversight Board**

- Set contribution rates
- Propose changes in policy and legislation
- Appoint or remove State Actuary
- Discharge its duties solely in the interest of participants and beneficiaries

**2000 (JCPP) - HB 2603 / SB 6535 (not passed)**

## **Pension Oversight Board**

- Open and balanced review of pension issues
- Recommend changes in policy, contribution rates, and long-term assumptions
- Recommend legislation
- Discharge its duties in the interest of public employers, participants, and beneficiaries

**2001 - HB 2083 & 2185 (not passed)**

# **Washington State Pension Board**

- Adopt actuarial assumptions
- Set contribution rates
- Propose legislation
- Hire DRS director
- Contract for actuarial, auditing, and legal services
- Discharge its duties solely in the interest of the participants and beneficiaries



**2002 - HB 2917** (not passed)

# **State Pension Board**

- Recommend contribution rates
- Recommend changes in policy and propose legislation
- Advise the Department on the CAFR
- Appoint an actuary
- Discharge its duties solely in the interest of the participants and beneficiaries

**2002 - HB 2930** (not passed)

# **Pension Oversight Board**

- Open and balanced review of pension issues
- Recommend changes in policy, contribution rates, and long-term assumptions
- Recommend legislation
- Discharge its duties in the interest of public employers, participants, and beneficiaries

**2002 - HB 2931** (not passed)

## **LEOFF 2 Board of Trustees**

- Adopt actuarial tables, assumptions and cost methodologies
- Provide for additional benefits
- Earnings in excess of assumed Rate of Return used exclusively for additional benefits
- Increased benefits approved by board effective unless 2/3rds of each house vote to the contrary

**2002 – HB 3010 / SHB 3010 (not passed)**

# **Select Committee on Pension Policy**

- Study pension issues
  - Develop pension policies
  - Make recommendations to legislature
- Study the financial condition of the pension systems
  - Develop funding policies
  - Make recommendations to legislature

**Committee membership of 16 in HB and 20 in SHB**

(2 more employer representatives and directors of DRS and OFM)

**2002 – 1790**

## **LEOFF 2 Board of Trustees**

- Adopt actuarial tables, assumptions and cost methodologies
- Provide for additional benefits
- Earnings in excess of assumed Rate of Return used exclusively for additional benefits
- Increased benefits approved by board effective unless majority of each house vote to the contrary

**2002 – 1797**

# **Pension Management Board**

- Mandate that trusts are property of members
- Establish contribution rates and long term assumptions
- Ensure retiree's buying power
- Recommend proposed changes in pension policy
- Discharge duties in the interest of members and beneficiaries

# Surveys of Pension Systems

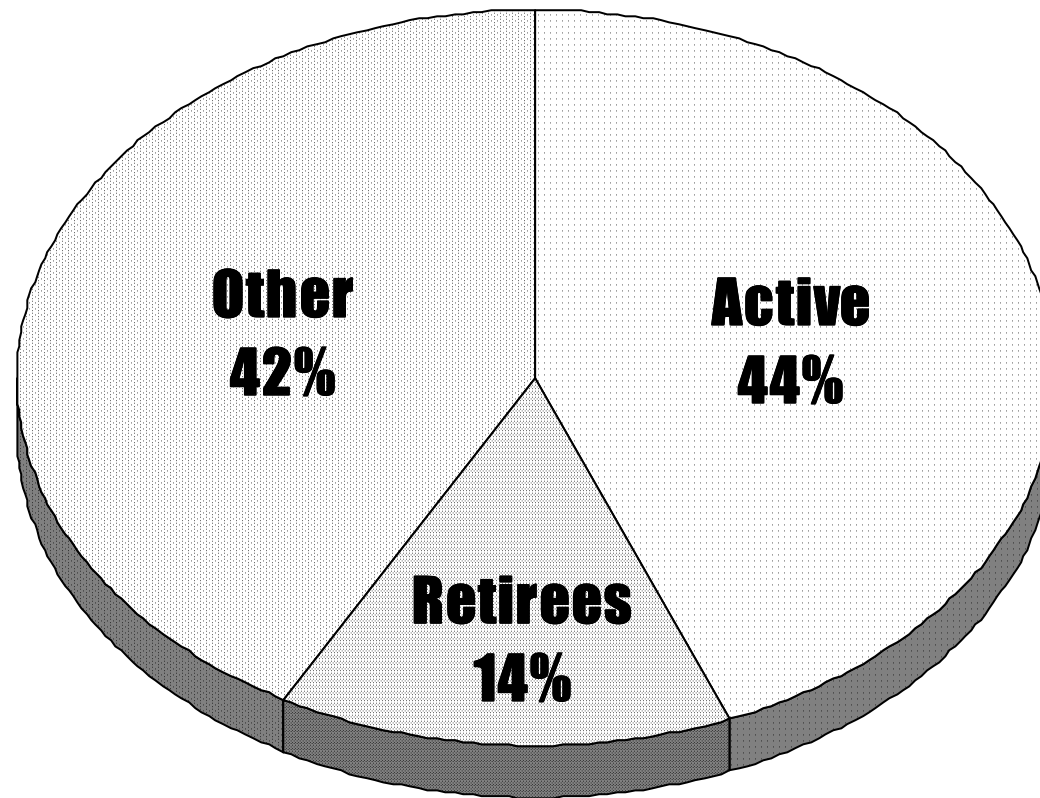
- National Education Association
  - Characteristics of 100 Large Public Pension Plans
- Government Finance Officers Association
  - 2000 Survey of State and Local Government Employee Retirement Systems (PENDAT)

# NEA Survey

- Plan size and coverage
- Service retirement eligibility
- Postretirement considerations
- Contribution rates
- Benefit formulas
- Investments
- Actuarial methods and funding
- Board membership



# Board Membership



# **Board Membership** (continued)

- Range from 1 – 18 members
- Active and retirees range from 0% - 87.5% of board membership
- 8 boards have no active members
- 15 boards have no retired members

# Pension related boards in Washington State

- Employee Retirement Benefits Board
  - Three members each from PERS, TRS and SERS and two with experience in DC plan administration
- State Investment Board
  - One member each from PERS, LEOFF and TRS; one retiree. . .

# **GFOA Survey: PENDAT**

- 246 retirement systems managing 371 plans
- 86 statewide plans
- Plan provisions
  - Functional authority

# GFOA: PENDAT (continued)

FUNCTIONAL AUTHORITY	PLANS	STATES
Investments	57	31
Benefit Administration	54	30
Actuarial Assumptions	77	41

# **GFOA: PENDAT** (continued)

## **Investment, Benefit Administration, & Assumptions**

<b>FUNCTIONS</b>	<b>PLANS</b>	<b>STATES</b>
Three	33	23
Two	42	29
One	4	3
None	4	2

# **NCSL Pension Working Group Recommendations for Policy**

“ . . . state legislatures should approve all changes of benefits and funding of retirement systems, and should regularly review their management and investment policies.”

# **NCSL recommendation for pension review commissions and committees**

“...creation of a knowledgeable, respected, and adequately staffed legislative body with responsibility to review all pension legislation and to recommend legislative changes.”



# **NCSL: Commissions and Committees** (continued)

- Focus public attention and raise public visibility of pension issues
- Complexity of pension issues requires informed analyses
- Recommend reforms that reflect consistent, sound principles of pension policy rather than isolated responses to pressures and crises

# **NCSL: Commissions and Committees** (continued)

- Arkansas
- Louisiana
- Massachusetts
- Minnesota
- Nebraska
- North Carolina
- North Dakota
- Ohio
- Pennsylvania
- Rhode Island
- South Carolina
- South Dakota
- Tennessee
- Texas
- West Virginia
- Wisconsin

# **NCSL: Commissions and Committees** (continued)

States without commissions have designated permanent and interim committees of the legislature to oversee pension fund performance.

**CHARACTERISTICS**  
**of 100**  
**LARGE PUBLIC**  
**PENSION PLANS**

*With Special Emphasis on Plans  
Covering Education Employees*



**nea**

**NATIONAL EDUCATION ASSOCIATION**  
Research  
September 2000

## 8. Public Employee Retirement System Board Membership

Boards of trustees for the plans reviewed by this study ranged in size from 1 member (New York ERS) to 18 members (Tennessee CRS). Some systems, such as Florida FRS and Iowa PERS, operate without boards of trustees, with governing authority vested in a senior official of the sponsoring agency. Table 8 shows the wide variance in both the number of plan trustees and the proportion of trustees who are active or retired members of the system.

As shown in Figure 8, active employees make up 44 percent of the total board members, while retired members account for 14 percent.

The method of the selection of boards of trustees is shown in Summary Chart 6.

### Summary Chart 6.

#### Boards of Trustees Selection

	Number of Systems
Total Number of Systems Reviewed	91
Type of Trustee Selection	
Elected by Constituent Groups	52
Appointed by Governor	64
Appointed by Other	29
Ex Officio	65
Other	9

Note: More than one type may be used in any system.

The median size of these boards was nine total members, with a median number of three elected trustees and a median number of three trustees who are gubernatorial appointees.

Figure 8.  
Composition of Boards of Trustees

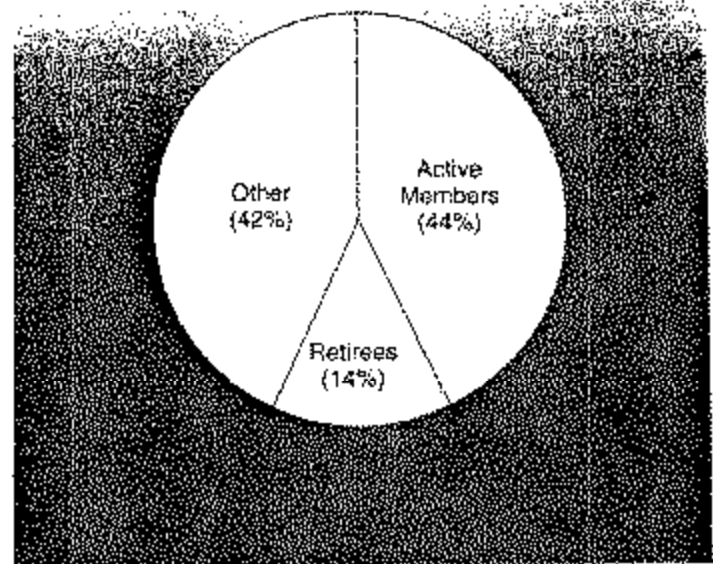


Table 8.  
Public Employee Retirement System Board Membership

State/Fund	Total # on Board	# of Active Employees Who Are Board Members	# of Retired Employees Who Are Board Members	Board Member Selection				
				Elected by Constituent Groups	Appt. by Gov.	Appt. by Other	Ex Officio	Other
Alabama/TBS	14	8 [1]	2	10 [2]	0	0	4	0
Alabama/PERS	13	7 [2]	2	6	3	0	4	0
Alaska/TRS [1]	5	0	5	0	5 [5]	0	0	0
Alaska/PERS [1]	5	1	3	2 [2]	3	0	0	0
Arizona/ASRS	9	4	1	0	9	0	0	0
Arkansas/ATRS	15	7 [2]	4	11	0	0	4	0
Arkansas/PERS	9	6	0	0	6	0	3	0
California/STAS	12	3	1	0	8	0	4	0
California/PERS	13	4	2	6	2	2	3	0
Colorado/PERA	16	12	2	14 [1]	0	0	2	0
CO-Denver/DPSRS	11	7	2	8	0	2	0	0
Connecticut/TRS	12	3	2	5	5	0	2	0
Connecticut/SERS	15	12	0	6	9 [1]	0	0	0
Connecticut/CMERS	15	12	0	6	8	0	1	0
Delaware/SEPP	7	0	0	0	5	0	2	0
Florida/FRS	0	0	0	0	0	0	0	0
Georgia/TRS	10	5 [1]	1	0	5	3	2	0
Georgia/SERS	7	0	2	0	1	1	2	2
Georgia/PERS [1]	9	0	0	0	3	1	2	2
Hawaii/EAS	8	3	1	4	3	0	1	0
Idaho/PERS	5	2	0	0	5	0	0	0
Illinois/TRS	10	4	1	5	4	0	1	0
Illinois/TMSF	8	3	1 (non-voting)	4	0	0	0	4 [1]
Illinois/SERS	7	2	2	2	3	0	2	0
Illinois/SURS	9							
IL-Chicago/PSIPRF	12	7	3	10	0	2	0	0
Indiana/TRF	5	0	2	0	5	0	0	0
Indiana/PERF	5	0	1	0	5	0	0	0
Iowa/PERS [1]	0	0	0	0	0	0	0	0
Kansas/TERS	9	1 [1]	1 [1]	2	4	2	1	0
Kentucky/TRS	9	4	1	7	0	0	2	0
Kentucky/ CERS, KERS, SPRS	9	5	2	5	3	0	1	0
Louisiana/TRSL	16	10	2	12	0	0	4	0
Louisiana/LASERS	12	5	3	9	0	0	3	0
Maine/MSRS	8	3	2	3	4 [1]	0	1	0
Maryland/ TRS, TPS, ERS, EPS	14	3	3	6	3	0	5	0
Massachusetts/TRS	5	1	3	2	1	0	1	1
Massachusetts/SERS	5	1	3	2	0	1	1	1

Table B.  
Public Employee Retirement System Board Membership (continued)

State/Fund	Total # on Board	# of Active Employees Who Are Board Members	# of Retired Employees Who Are Board Members	Board Member Selection				
				Elected by Constituent Groups	Appt. by Gov.	Appt. by Other	Ex Officio	Other
Michigan/MPERS	12	6	2	0	11	0	1	0
Michigan/MSERS	9	2	2	0	4	0	5	0
Michigan/PERS	9	3	1	7	0	0	0	2
Minnesota/TRA	6	4	1	5	0	1	2	0
Minnesota/PERA	11	4	2	5	5	0	1	0
Minnesota/MGERS	11	6	1	7	3	1	0	0
Min-St. Paul/SETRFA	10	6	3	9	0	0	1	0
Min-Minneapolis/MTTRFA	7	2	5	6	0	1	0	0
Mississippi/PERS	10	6	2	8	1	0	1	0
Missouri/PERS, NTRS	7	4	1	4	3	0	0	0
MO-St. Louis/PERS of St. Louis	11	5	2	7	0	4	0	0
Missouri/MGERS	11	2	1	3	2	4	2	0
Montana/TRS	8	3	1	0	6	0	0	0
Montana/PERS	6	3	1	0	6	0	0	0
Nebraska/SRS	8	3	1	0	7	0	1	0
Nebraska/SERS	8	3	1	0	7	0	1	0
NE-Omaha/USERS	9	4	0	0	0	8	1	0
Nevada/PERS	7	6	1	0	7	0	0	0
New Hampshire/NHRS	10	8	0	0	10	2	1	0
New Jersey/TPAF	7	3	1	3	2	0	1	1
New Jersey/PERS	9	6	1	6	2	0	1	0
New Mexico/ERS	7	2	1	3	2	0	2	0
New Mexico/PERA	12	8	2					
New York/TRS	10	3	1	4	0	2	1	3
New York/ERS	1	0	0	0	0	0	1	0
NY-New York City/TRS	7	3	0	3	0	2	2	0
North Carolina/TSERS	14	7	2	0	10	2	2	0
North Carolina/LGERS	17	10	2	0	13	2	2	0
North Dakota/FFB	7	3	2	0	5	0	2	0
North Dakota/PERS	7	3	1	4	1	0	2	0
Ohio/STRS	9	5	1	6	0	0	3	0
Ohio/PERS	9	5	1	6	0	0	3	0
Ohio/SERS	7	4	1	5	0	0	2	0
Oklahoma/TRS	13	6	2	0	6	4	3	0
Oklahoma/PERS	13	9	1	0	3	5	5	0
Oregon/PERS	11	3	1	0	11	0	0	0
Pennsylvania/PERS	15	4	1	6	2	4	3	0
Pennsylvania/SEHS	11	6	1	0	6	4	1	0
Pennsylvania/PMRS	11	2	1	0	9	0	2	0
Rhode Island/ERSI, MERS	15	5	1	6	2	0	4	3
South Carolina/SCRS	5	0	0	0	0	0	5	0

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Table 8.  
Public Employee Retirement System Board Membership (continued)

State/Fund	Total # on Board	# of Active Employees Who Are Board Members	# of Retired Employees Who Are Board Members	Elected by Constituent Groups	Board Member Selection			
					Appt. by Gov.	Appt. by Other	Ex Officio	Other
South Dakota/SDRS	17	11 <del>88</del>	1	14	2	0	1 <del>80</del>	0
Tennessee/CRS	18	8 <del>88</del>	1	8	1	3	9	0
Texas/TRS	9	3	1	0	9 <del>88</del>	0	0	0
Texas/ERF	6	3	0	3	1	2	0	0
Utah/SRS	7	2 <del>88</del>	0	0	6	0	1	0
Vermont/STRS	8	2	1	2	0	1	3	0
Vermont/NERO	5	3	0	3	1	0	1	0
Vermont/VSRS	6	3	0	3	1	0	2	0
Virginia/VRS	9	3	1	0	6	4	0	0
Washington/FRS, PERS <del>88</del>	9	3	1	0	7	2	0	0
West Virginia/TRS, FDC, PERS <del>88</del>	14	5	1	0	10	0	4	0
Wisconsin/WRS	12 <del>88</del>	7	3	1	1	8	2	0
Wyoming/WRS	11	4	1	0	10	0	1	0



Table 8.

## Footnotes

- 1 Alabama TRS: Active employees include 3 teacher positions, 1 postsecondary position, 2 educational support positions, 1 principal position, and 1 superintendent position. There are 2 retiree positions. Ex officio members include the State Superintendent of Education, the State Treasurer, the State director of Finance, and the Executive Secretary of the Alabama Education Association.
- 2 Alabama TRS: 2 retired members, 1 superintendent, 1 principal, 1 postsecondary education member, 3 active K-12 teachers, 2 educational support personnel—all of whom are elected by the members of the retirement system in a statewide election conducted by the system.
- 3 Alabama ERS: Includes 2 active state employees, 2 active elected local employees, and 3 ex officio or appointed members (who are currently active members).
- 4 Alaska TRS: Separate state pension investment board serves both plans. Eight total board seats on state pension investment board; 2 seats for TRS and 2 seats for PERS out of these 8 seats. The TRS and PERS representatives are elected by TRS and PERS members.
- 5 Alaska TRS: State statute provides that statewide teacher organizations may submit a list of recommended nominees to the governor for consideration.
- 6 Alaska TRS and PERS: Separate state pension investment board serves both plans. Eight total board seats on state pension investment board; 2 seats for PERS and 2 seats for TRS out of these 8 seats. The TRS and PERS representatives are elected by TRS and PERS members.
- 7 Alaska PERS: Two members of the board are members of the system elected for 6-year terms by a majority of the votes cast by members of the system.
- 8 Arkansas ATRS: By statute there are 7 active and 3 retiree slots, as well as 1 minority position, which may be filled by an active or retired member. Of the 7 active slots, 4 positions must be filled by active certificated (but not administrator's certificate) members, 2 positions must be filled by active members holding an administrator's certificate (1 of whom must be a superintendent), and 1 position must be filled by a non-certificated active member.
- 9 Colorado PERA: 4 members are employees of state employers elected by state members (at least 1 must be, but no more than 4 may be an employee of a state institution of higher learning); 5 members are employees of school employers elected by school members; 2 are members of the municipal division elected by members of that division; 1 is a member of the judicial division elected by members of that division; and 2 are retirees elected by retired members.
- 10 Connecticut SERS: Includes 3 actuaries. All are appointed by the governor; however, 1 actuary is nominated by the 6 management trustees, 1 is nominated by the 6 trustees representing employees, and 1 is a neutral nominated by the employee and management trustees.
- 11 Georgia TRS: Includes 2 classroom teachers.
- 12 Georgia PSERS: Board is composed of 7 ERS board members and 2 others appointed by the governor.
- 13 Illinois IMRF: 4 board members selected by employers—they may also be members of the system.

Table 8.

**Footnotes (continued)**

- 14** Iowa PERS: The IPERS is a division under the state Department of Personnel. There is no board of trustees; however, there is a 9-member Investment Board, which consists of 2 active system members (1 of whom must be a school employee) appointed by the governor, 1 retired system member appointed by the governor, 3 other nonmembers appointed by the governor, 1 ex officio, non-voting member (the Director of the Iowa Department of Personnel), and 2 legislative representatives. IPERS members are given some voice in investment decisions through this board.
- 15** Kansas PERS: One trustee elected by school retirement system members and 1 trustee elected by non-school retirement system members.
- 16** Maine MSRS: Retired teacher appointed by governor from list of 3 provided by MRTA.
- 17** Michigan MPSERS: Two classroom teachers or other certified school personnel; 1 non-teacher working in a non-certified educational support position, 1 member who is a school system superintendent, 1 member who is working in a finance or operations management position but who is not a school system superintendent, and 1 administrator of a community college.
- 18** Michigan MPSERS: One retired classroom teacher and one retiree from a finance or operations management position.
- 19** Mississippi PERS: Two members are elected by retirees and 2 members are elected by active state employees. One member each is elected by county employees, public school and community/junior college employees, institutes of higher learning employees, and municipal employees.
- 20** Montana PERS: Board will increase to 7 members by 7/1/2003.
- 21** Nevada PERS: Includes 3 employee members, 2 school administrators or local officials, and 1 state manager.
- 22** New Hampshire NHRS: Eight members are appointed by the governor after nomination by member election.
- 23** New Jersey TPAF: Elected by other six board members.  
  
North Dakota TFFR: A separate state investment board is responsible for the investment of trust assets. Three of the trustees are elected by the TFFR board to serve on the North Dakota State Investment Board.
- 25** North Dakota TFFR: Two active teachers and 1 school administrator.
- 26** North Dakota PERS: A separate state investment board is responsible for the investment of trust assets. Three members of the ND PERS board are included in the membership of the state investment board. The ND PERS board has specified that the members who serve on the state investment board are to be elected from among the 4 elected members of the ND PERS board.
- 27** Oklahoma TRS: Includes 2 active classroom teachers.
- 28** Oregon PERS: Four trustees must be members of collective bargaining units, including one engaged in teaching or other school activity, 1 police officer or firefighter, and 1 employed by the state in some other category. There are 4 trustees selected from among management in PERS-participating employers who may also be active members of the system.

Table 8.  
Footnotes

- 20 Pennsylvania PSERS: Includes 3 active certified employee representatives, 1 active non-certified employee representative, 1 retired representative, and 1 school board representative.
- 21 Pennsylvania SERS: Includes 4 legislators.
- 21 Pennsylvania PMRS: Nine nominated by constituent groups, including 1 active firefighter and 1 active police officer nominated by the associations representing municipal firefighters and municipal police.
- 22 Rhode Island ERSRI and MERS: Includes 2 active teacher representatives, 2 active state employee representatives, and 1 active municipal employee representative.
- 23 South Dakota SDRS: Includes only active members who represent teachers, state employees, county employees, municipal employees, classified employees, judicial employees, and public safety members.
- 24 South Dakota SDRS: Non-voting member.
- 25 Tennessee CRS: 3 teachers, 2 state employees, 3 local government members; ex-officio members of the board are also currently active employees.
- 26 Texas TRS: Two trustees are appointed by the governor from the 3 public school district active members nominated for each position by employees of the public school districts; 1 trustee is appointed by the governor from the 3 higher education candidates nominated by employees of institutions of higher education; and 1 trustee is appointed by the governor from the 3 retired member candidates who are nominated by retired TRS members.
- 27 Utah SRS: Includes 1 school employee and 1 general public employee.
- 28 Washington TRS and PERS: Data in table are for voting members of the Board of Trustees. There is a separate State Investment Board with the sole responsibility for the investment of all retirement trust funds, which consists of 9 voting members including 1 active member from PERS, 1 active member from TRS and 1 active member from the law enforcement officer and firefighter fund (LEOFF), as well as 1 retired member from 1 of the 6 systems administered by the state. In addition, there is an Employee Retirement Benefits Board that includes 2 active PERS members, 2 active TRS members, 1 retired PERS member and 1 retired TRS member among its 9-member board and that, among other responsibilities, selects self-directed investment options for TRS Plan 3 members and selects investment options for the deferred compensation program. There is also a 12-member State Advisory Committee to the Director of the Department of Retirement Systems which consists of 3 active and 1 retired PERS members, 1 active law enforcement officer, 1 active firefighter, 1 retired law enforcement officer or firefighter, 1 active teacher, 1 active TRS member who is an administrator, 1 retired TRS member, 1 active Washington State Patrol Retirement System member, and 1 Judicial Retirement System member.
- 29 West Virginia TRS, TDC, PERS: Consolidated Public Retirement Board which oversees plan administration. In addition, there is a West Virginia Investment Management Board which oversees the investments of the TRS defined benefit plan, the PERS defined benefit plan, the State Police Plan B, the Department of Public Safety Retirement Plan, the Judges Retirement Plan, the Deputy Sheriff's Retirement Plan and the Insured Assets of the State (e.g., Workers Compensation) and Endowment Assets.
- 30 Wisconsin WRS: Data in table are for Employee Trust Funds Board. Separate Teachers Retirement Board (13 members) and Wisconsin Retirement Board (9 members) advise Employee Trust Funds Board on retirement matters and approve administrative rules and new disability benefit efforts.

# Functional Authority of Retirement Boards or Boards of Trustees by State by Plan

STATE / PLAN	Functional Authority			# of Functions	Board Composition	
	Investments	Benefits	Actual Assumptions		Total Members	Active or Retired
Alabama Retirement Systems	Y	N	Y	2	26	21
Alaska Public Employees Retirement System	N	Y	Y	2	5	2
Alaska Teachers Retirement System	N	Y	Y	2	5	4
Arizona State Employees Retirement System	Y	N	Y	2	9	4
Arkansas Police and Fire Retirement System	Y	Y	N	2	5	2
Arkansas Teachers Retirement System	Y	Y	Y	3	15	11
California Public Employees Retirement System	Y	Y	Y	3	13	9
California State Teachers Retirement System	Y	N	Y	2	12	4
Colorado Fire and Police Pension Association	Y	Y	Y	3	9	3
Colorado Public Employees Retirement Association	Y	N	Y	2	16	16
Connecticut Teachers Retirement System	N	Y	Y	2	12	5
Delaware State Board of Pensions	Y	Y	Y	3	7	3
Florida Retirement System	NA	NA	NA	NA	---	---
Georgia State Employees Retirement System	Y	Y	Y	3	7	2
Georgia Teachers Retirement System	Y	Y	Y	3	10	6
Hawaii State Employees Retirement System	Y	Y	Y	3	8	5
Idaho Public Employees Retirement System	Y	N	Y	2	5	2
Illinois Municipal Employees Retirement System	Y	Y	Y	3	8	8
Illinois State Employees Retirement System	N	Y	Y	2	7	6
Illinois State Teachers Retirement System	Y	Y	Y	3	10	8
Illinois State University Retirement System	Y	N	Y	2	9	4
Indiana State Teachers Retirement Fund	Y	Y	Y	3	5	2
Kansas Public Employees Retirement System	Y	N	Y	2	9	4
Kentucky Judicial Retirement System	Y	Y	Y	3	8	4
Kentucky Retirement Systems	Y	Y	Y	3	9	7
Kentucky Teachers Retirement System	Y	Y	Y	3	9	5
Louisiana State Employees Retirement System	Y	Y	Y	3	12	9
Louisiana State Police Retirement System	Y	Y	Y	2	9	5

Source: PENDAT

# Functional Authority of Retirement Boards or Trustees by State by Plan

STATE / PLAN	Functional Authority				# of Functions	Board Composition	
	Investments	Benefits	Actuarial Assumptions			Total Members	Active or Retired
Louisiana Teachers Retirement System	Y	Y	N		2	16	12
Maryland State Retirement and Pension System	Y	N	Y		2	14	14
Michigan Judges Retirement System	N	Y	Y		2	5	0
Michigan Legislative Retirement System	Y	Y	Y		3	11	10
Michigan Public School Employees Retirement System	N	Y	Y		2	12	8
Michigan State Police Retirement System	N	Y	Y		2	9	2
Michigan State Employees Retirement System	N	Y	Y		2	9	9
Minnesota Public Employees' Retirement System	N	N	N		0	11	9
Minnesota State Retirement System	N	N	N		0	11	8
Minnesota Teachers Retirement System	N	N	N		0	8	5
Mississippi Public Employees Retirement System	Y	N	Y		2	10	10
Missouri Local Government Employees' Retirement System	Y	N	Y		2	7	3
Missouri Public School Retirement System	Y	Y	Y		3	7	3
Missouri School Employees Retirement System	Y	Y	Y		3	---	---
Missouri State Employees Retirement System	Y	Y	Y		3	11	14
Missouri Transportation Employees' and Highway Patrol Retirement System	Y	Y	Y		3	10	5
Montana Public Employees Retirement System	N	Y	Y		2	6	5
Montana Teachers Retirement System	N	Y	Y		2	6	4
Nebraska Public Employees Retirement System (DB)	N	N	Y		1	8	4
Nebraska Public Employees Retirement System (DC)	N	N	Y		1	8	4
Nevada Public Employees Retirement System	Y	Y	Y		3	7	7
New Hampshire Employees' Retirement System	Y	Y	Y		3	13	8
New Jersey Police and Fire Fighters Retirement System	N	Y	Y		2	9	4
New Jersey Public Employees Retirement System	N	Y	Y		2	9	7
New Jersey State Police Retirement System	N	Y	Y		2	5	2
New Jersey Teachers Retirement System	N	Y	Y		2	7	2
New Mexico Education Retirement Board	Y	Y	Y		3	7	nr
New Mexico Public Employees Retirement System	N	N	N		0	12	8

Source: PENDAT

# Functional Authority of Retirement Boards or Boards of Trustees by State by Plan

STATE / PLAN	Functional Authority			# of Functions	Board Composition	
	Investments	Benefits	Actuarial Assumptions		Total Members	Active or Retired
New York State and Local Retirement System	NA	NA	NA	NA	---	---
New York Teachers Retirement System	Y	N	Y	2	10	4
North Dakota Public Employees Retirement System	N	Y	Y	2	7	5
North Dakota Teachers Retirement System	N	Y	Y	2	7	5
Ohio Highway Patrol Retirement System	Y	Y	Y	3	8	5
Ohio Police and Fire Fighters Retirement System	Y	N	Y	2	9	5
Ohio Public Employees Retirement System	Y	N	Y	2	9	9
Ohio School Employees Retirement System	Y	Y	Y	3	7	5
Ohio Teachers Retirement System	Y	N	Y	2	9	5
Oklahoma City Employees Retirement System	Y	Y	Y	3	11	nr
Oklahoma Fire Fighters Retirement System	Y	Y	Y	3	13	7
Oklahoma Police Retirement System	Y	N	Y	2	13	7
Oklahoma Public Employees Retirement System	Y	N	Y	2	13	10
Oklahoma Teachers Retirement System	Y	N	Y	2	13	8
Oregon Public Employees Retirement System	N	N	Y	1	11	8
Pennsylvania School Employees Retirement System	Y	N	Y	2	15	5
Pennsylvania State Employees Retirement System	Y	Y	Y	3	11	9
Rhode Island Employees Retirement System	N	Y	Y	2	15	10
South Carolina Employees' Retirement System	Y	Y	Y	3	5	5
South Dakota Employees' Retirement System	N	Y	Y	2	17	14
Tennessee Consolidated Retirement System	Y	N	Y	2	18	17
Texas County and District Retirement System	Y	Y	Y	3	9	9
Texas Employees' Retirement System	Y	Y	Y	3	6	3
Texas Municipal Retirement System	Y	Y	Y	3	6	6
Texas Teachers Retirement System	Y	Y	Y	3	9	4
Utah State Retirement System	Y	N	Y	2	7	2
Virginia Retirement System	Y	N	Y	2	9	4
Washington State Retirement Systems	NA	NA	NA	NA	---	---

Source: PENDAT

# Functional Authority of Retirement Boards or Boards of Trustees by State by Plan

STATE / PLAN	Functional Authority			# of Functions	Board Composition	
	Investments	Benefits	Actuarial Assumptions		Total Members	Active or Retired
Wisconsin Retirement System	N	N	Y	1	12	8
Wyoming Retirement System	Y	Y	Y	3	11	5

## Summary Information

Functional authority of the 84 plans in 42 States where there is a Retirement Board or Board of Trustees Governing the plan: 57 plans in 31 states 54 plans in 30 states 77 plans in 41 states 797 509

Board of Trustees or Retirement Board in states not found in PENDAT

Iowa	No
Maine	Y
Massachusetts	Y
North Carolina	Y
Vermont	Y
West Virginia	Y

## BOARD OF TRUSTEES FUNCTIONAL AUTHORITY:

investment, benefit, actuarial assumptions

All three functions

Two out of three functions

One out of three functions

No investment, benefit, or actuarial function

No Board of Trustees or Retirement Board

Plans	States
33	23
42	29
4	3
4	2
9	4

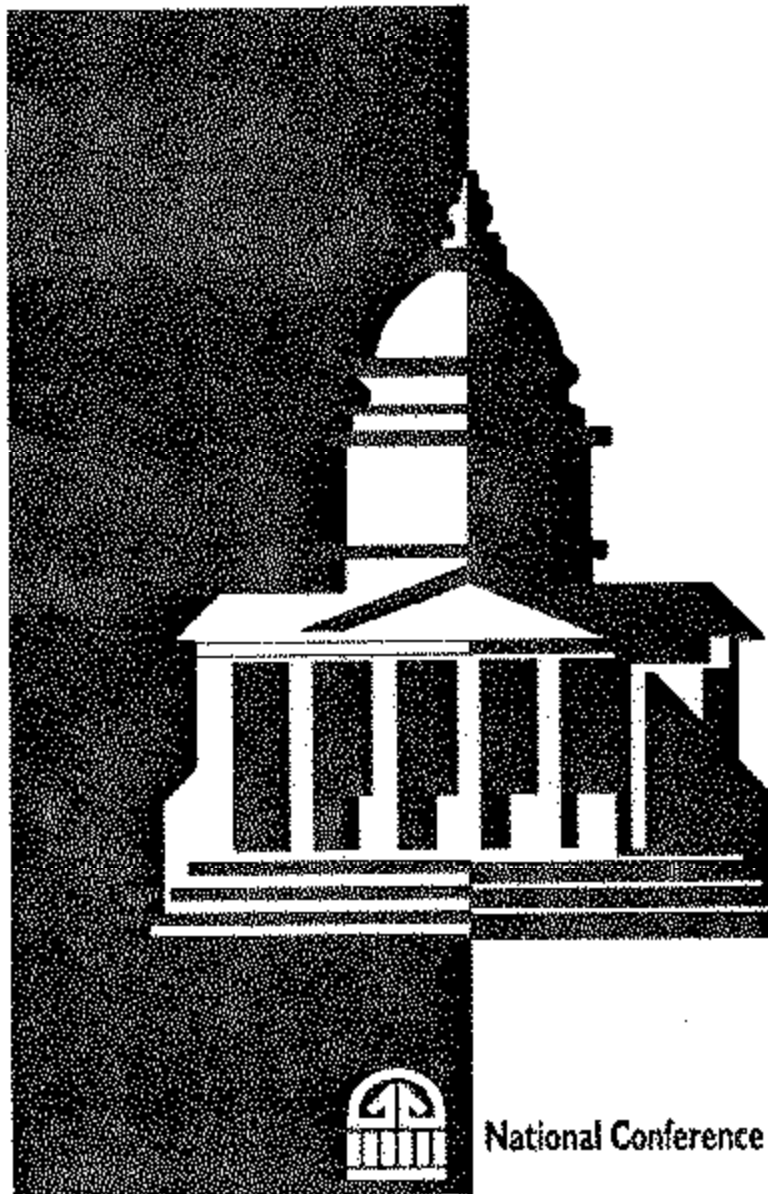
Minnesota and New Mexico

Source: PENDAT

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# Public Pensions

## A Legislator's Guide



National Conference of State Legislatures





This report is concerned primarily with improving the design, operation and soundness of state and local retirement systems. It includes a list of recommendations to help legislators improve their states' retirement systems by strengthening legislative management, providing more equitable benefits, and lessening the risk and uncertainty to the employee and taxpayer. These recommendations are a product of the authors' collective experience in state pension matters. They represent the ways the authors have attempted to manage their own systems.

### ***The NCSL Pensions Working Group's Recommendations***

1. State legislatures bear ultimate responsibility to voters and beneficiaries for the financial security and well-being of state retirement systems. Therefore, state legislatures should approve all changes of benefits and funding of retirement systems, and should regularly review their management and investment policies.
2. State legislatures should establish permanent pension review bodies to analyze the problems of their retirement systems on an ongoing basis and to make recommendations for state legislative action.
3. State legislatures should require advance funding of pension benefits to ensure that pension costs are not shifted to future taxpayers.
4. State legislatures should require fiscal impact statements (fiscal

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notes) when establishing or amending pension plan benefit provisions.

5. The full, long-term costs of early retirement programs and incentives should be calculated before such a program is adopted in order to allow legislatures to provide for the costs.
6. Post-retirement adjustments should be independently funded and have a ceiling on the percentage of increase for a single year.
7. State and local pension plans should provide strict guidelines for disability coverage and should provide follow-up periodic screenings of disabled retirees.
8. Legislatures should use extreme care in developing health insurance provisions for retired employees, and preferably should provide for separate accounting and funding from retirement programs.
9. State legislatures should establish strict fiduciary standards and conflict of interest laws to govern the conduct of trustees as they manage the assets of the retirement system.
10. State legislatures should move toward requiring annual actuarial reports using uniform actuarial assumptions to evaluate the financial soundness of state and local retirement systems.
11. State and local retirement plans should provide for reciprocity of benefits for workers who shift jobs within the state and its political subdivisions and portability for those who shift jobs across state lines.
12. Pension plan participants should be fully informed of plan provisions including benefits, service and vesting requirements, assets and liabilities, investment performance and risk, actuarial assumptions and data, fiduciary requirements and selection of plan trustees.
13. State legislatures should support coordination of state and local retirement systems.
14. Legislators should encourage and support the efforts of state retirement system administrators to comply with the principles of pension system administration established by the Public Pension Coordinating Council.

In states where retirement systems do not meet all of these recommendations, the Pensions Working Group suggests legislative action to revise regulations to provide for adequate and soundly operated public pension plans. In addition, state legislatures should continue to study their public retirement systems and work to maintain the highest level of reporting, disclosure, fiduciary and funding standards.

Congress has considered broad federal controls over state and local pensions. Although the National Conference of State Legislatures has strenuously opposed these efforts to usurp state control, the working group subscribes to public employee protection principles expressed by proponents of federal legislation and urges state legislatures to implement the recommendations in this section. The best protection against federal interference in the management of state and local pensions is state compliance with sound pension principles.

### ***Legislative control of public pension policy***

State legislatures bear ultimate responsibility to the voters and beneficiaries for the financial security and well-being of state retirement systems. Therefore, state legislatures should approve all changes of benefits and funding *methods* of retirement systems, and should regularly review their policies. The state legislatures represent the members of the various employee plans and also the taxpayers who are ultimately responsible for funding a large percentage of the pension costs. Changes made in the system by legislation generally result from public hearings where both public employee and taxpayer concerns are fully heard. Therefore, it is more likely that any action will be well-reasoned and balanced.

In some states, boards of trustees or commissions are responsible for changes in the benefit structure and level of funding of public pension systems. Since these boards are usually composed of representatives of the several employee groups, they may have a vested interest in liberalized benefits and minimum increases in member contributions and may not present an unbiased or objective approach. The public interest in pension programs that are as fair to taxpayers as they are to beneficiaries requires a broader forum for policy development.

Legislative control of broad policy issues, as recommended here:

- Provides a maximum of public involvement through public hearings
- Provides a forum and means for balancing the interests of current public employees, retired employees and taxpayers
- Allows for balancing the long-term beneficial and fiscal concerns of all state pension programs
- Ensures that all decisions receive the maximum possible public scrutiny

### *Pension review commissions and committees*

An important step toward responsible and effective supervision of public pension plans is the creation of a knowledgeable, respected and adequately staffed legislative body with responsibility to review all pension legislation and to recommend legislative changes. Such legislative commissions and committees are necessary because pension laws demand continuous supervision and attention. A single, ill-conceived provision in a single act could have significant fiscal consequences that are not fully apparent for many years. Worse still, such action might be irreversible since there are serious constitutional impediments in most states to legislation that would reduce an individual's prospective pension benefits.

Legislative commissions and committees can focus public attention and gain a public consensus on pension matters to a degree unattainable at a local level. To the extent that public exposure produces better results, the legislature is best able to raise the public visibility of pension issues.

Another reason for review bodies is the complexity of pension legislation. It rarely is possible to foresee the ultimate fiscal consequences of a piece of legislation upon first reading. It is important, therefore, that the reviewing body have staff and independent actuarial and economic assistance to make informed analyses and judgments about proposed changes in the pension system. The growing occurrence of legislative term limits and the trend toward greater turnover among legislators even without term limits make the establishment of such bodies essential if legislators are to have an independent source of information to help them place pensions issues in the widest possible context of public policy.

Because of their expertise and perspective on the total pension system, commissions or committees are in a good position to recommend reform measures that reflect consistent, sound principles of pension policy rather than isolated responses to pressures and crises.

Many states, including Arkansas, Louisiana, Massachusetts, Minnesota, Nebraska, North Carolina, North Dakota, Ohio, Pennsylvania, Rhode Island, South Carolina, South Dakota, Tennessee, Texas, West Virginia and Wisconsin, have permanent legislative bodies with responsibility for screening retirement bills and recommending changes. The authority of the bodies varies, but most groups review pension and retirement bills and prepare fiscal impact notes. Most also conduct comprehensive studies of the retirement systems and make recommendations.

States without formal oversight commissions have designated permanent and interim committees of the legislature to oversee pension fund performance. The existence of these commissions and committees has resulted in a core group of legislators and staff with special expertise in the complicated issues of pension funding and administration.

The appropriate membership of such review bodies is the subject of some debate. Some pension review commissions are composed entirely of legislators, but Massachusetts' commission includes non-legislators. In Tennessee, representatives of employee groups serve on the commission but do not vote. In still other states, employee representatives and others are voting members. The number of regular members assigned to a commission and committee ranges from six to 18, averaging approximately 10 members.

Critics of review commissions made up of legislators contend that it is easier for non-legislators to resist political pressure from powerful interest groups. They claim a non-legislative commission and committee can more easily bear the brunt of criticism about failure to liberalize benefits. A group of legislators who become experts in pension matters, however, can more effectively gain and keep the respect of the legislature as a whole than a group of advisers who are less familiar with the legislative process. In either case, continuity of policy and a full appreciation of the complexity of pension system management are improved by infrequent turnover.



# **Public Safety Benefits**

David Pringle  
Research Analyst

Joint Committee on Pension Policy  
June 19, 2002

# Study Mandate

“Examine the creation of public safety benefits paid for by included employees and employers for periods of service in eligible positions. The study shall also examine the eligibility criteria for both entry into the Law Enforcement Officers’ and Fire Fighters’ plan 2 and for a public safety benefit.”

# Issues

- Is there an identifiable group of “public safety” members in PERS?
- How does LEOFF 2 membership analysis relate to public safety PERS benefits?
- What are the costs and how much should members and employers pay?



# **I. Background**

## **Benefits in PERS 2/3 and LEOFF 2**

- PERS 2/3 covers employees unless qualified for LEOFF plan 2
- LEOFF 2 is limited to certain law enforcement officers and fire fighters
- PERS 2/3 retirement age: 65
- LEOFF 2 retirement age: 53

# **Why are police and fire benefits different?**

- Jobs are difficult at older ages.
- Constant threat of physical danger.
- Earlier retirement is traditional.
- General public relies on the ability of employees to protect them.
- Importance of public perception of vigorous and capable police and fire forces.

# Membership - PERS and LEOFF

- PERS 2/3 offers broad eligibility.
- LEOFF 2 is limited to:
  - Eligible employers
  - Full time, fully compensated employees
  - Employees with req. training/certification
- Employees sharing only some characteristics with LEOFF 2, or working for non-LEOFF employers, are in PERS.

# Limited Authority

## Law Enforcement

- “Limited authority law enforcement agencies” are specifically excluded from LEOFF 2, so all members are in PERS.
- Employees may share job traits with police and fire fighters.
- Included in many conceptions of “public safety” PERS and past LEOFF 2 membership discussions.

# LEOFF Membership

## Examples of groups who have sought inclusion

	<u>Employer</u>	<u>Employment</u>	<u>Training*</u>
Public EMTs	Yes	No	N/A
County Corrections	Yes	No	No
Liquor Control	No	No	No
Gambling Commission	No	No	No
State Park Ranger	No	No	No
Dept. of Corrections	No	No	No
Fish and Wildlife	Yes	Yes	Yes
Community Correction	No	No	No

\*Refers to requirement of CJTC Basic Law Enforcement program.

# **II. Points of Analysis**

- Who are public safety workers?
- What does moving to LEOFF 2 cost?
- What are some other states' approaches?

# Who are Public Safety workers?

- There is no universally identified group of public safety workers.
- Do they share duties or job characteristics with police and fire fighters, or have other distinctions?
- Are needs not being met in PERS that suggests a lower retirement age for public safety workers?

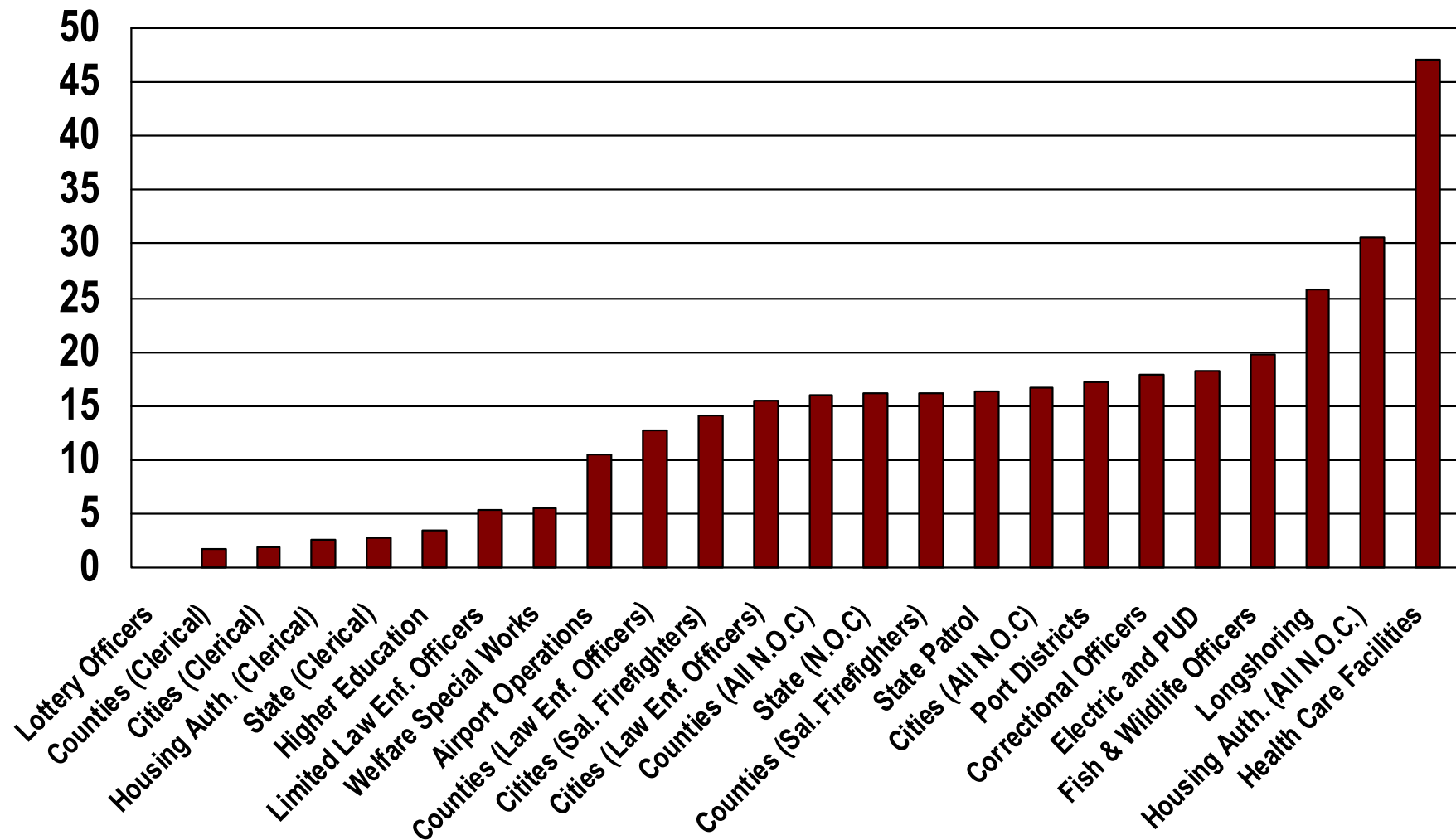
# Danger

- What indicators of workplace danger are available?
- All sources of injury might not be considered equal for policy-making purposes.
- One method is to examine the rates of more serious injuries groups of workers experience on the job.



# Compensable Claims 98-01

Per 100 FTE's -- Labor and Industries State Fund



# **Stress and Life Expectancy**

- Some jobs may not be dangerous, but have high levels of stress.
- Stress levels may be associated with employee “burnout” or reduced life expectancy.
- Reduced life expectancy, however, is not linked to LEOFF jobs, or many “public safety” occupations.

# Danger for older workers

- Are public safety jobs more difficult for older workers?
- NIOSH study of occupational injuries treated in emergency rooms during 1998 suggests an overall decrease with age.
- Do older workers continue to perform the difficult or dangerous public safety duties?

# Public Safety Definitions/Criteria

- Can a definition be created? Some examples of criteria:
  - Responsibility to provide public protection of lives and property.
  - High degree of physical risk to one's personal safety.
  - Elevated powers of arrest, either limited or unlimited.
  - Passage of civil service exams or equivalent.
  - Completion, or statutory requirement, of CJTC basic law enforcement course.
  - Authority or requirement to carry a firearm.

# Costs

## Moving groups into Public Safety or LEOFF 2

- PERS 2 and LEOFF 2 Contribution rates, as of July 1, 2002

<u>Plan</u>	<u>PERS 2</u>	<u>LEOFF 2</u>	<u>Difference</u>
Member	0.65 %	4.39 %	3.74 %
Employer/State	1.10 %	4.39 %	3.29 %

- The difference between PERS and any public safety benefits proposal is not fixed by current law.

# **III. Comparison to other states**

- The JCPP expressed interest in comparing other states' approaches to public safety benefits.
- Information was gathered from five other states.
- Washington's neighboring states were chosen, along with several others that demonstrate a variety of approaches.

# Interstate Comparison

State	Categories	Retirement Age	EE / ER
<b>Washington</b>	- General	- Age 65	0.65% / 1.10%
PERS	- Police/Fire (narrow)	- Age 53	4.39% / 4.39%
LEOFF			
<b>Idaho</b>	- General	- Age 65, Rule 90	5.9% / 9.8%
PERS	- Police/Fire (broad)	- Age 60, Rule 80	7.2% / 10.0%
<b>Oregon</b>	- General	- Age 60 or 30 yrs.	6% / ~9.2%
PERS	- Police/Fire (broad)	- Age 55 or 50+25	6% / ~12.4%
<b>Nevada</b>	- General	- Age 65 or 30 yrs.	9.4% / 9.4%
PERS*	- Police, Fire (narrow)	- Age 50+20 years, or 30 yrs.	14.3% / 14.3%
<b>Iowa</b>	- Regular	- 30 years	3.7% / 5.8%
PERS	- Protection Occ.	- 24 years	5.9% / 8.9%
	- Sheriff/Fire	- 22 years	5.6% / 8.4%
<b>Arizona State</b>	- General - "ASRS"	- Age 65+Rule 80	2.0% / 2.0%
<b>Retirement</b>	- Public Safety	- 20 years	7.7% / 4.2%
<b>Systems</b>	- Corrections	- 20 years	8.5% / 1.9%

# Interstate Comparison - 2

State	Public Safety Membership	Member determination
Washington	Full-time fire fighters, police, and sheriffs.	Dept. evaluates criteria
Idaho	Law enf. administrators, State police, Alcohol enf. officers, Brand inspectors, Sheriffs, Police, Fish and Game officers, Corrections officers + administrators, Probation officers, Military division employees, Court magistrates + security personnel, Paramedics, AG's investigators, Fire fighters, Chief timber assoc. fire wardens.	Statutory List
Oregon	State police, Liquor control officers, Sheriffs, Parole officers, Corrections officers, Airport police, Livestock police, Public safety enforcement officers, Justice investigators, Lottery agents, Public school police, Youth corrections, Juvenile parole officers, Fire fighters, State fire marshals, State wildland fire fighters.	Statutory List
Nevada	Full-time fire fighters, Police, and Sheriffs.	Board/Staff evaluates criteria
Iowa	Protection Occupations includes: City Marshals, Police or firefighters, State conservation officers, State correctional officers, Airport safety officers, Dept. of transportation peace officers, Fire prevention inspection peace officers.	Statutory List
Arizona	Police officers and sheriffs, fire fighters, Highway patrol officers, Fish and game wardens, Airport police, University police, College police, Indian reservation police and fire fighters, Dept. of administration police, Dept. of liquor investigators, Dept. of agriculture officers, State park rangers, County park rangers	Statutory List



# **The End**